

Louisiana Property and Casualty  
Insurance Commission  
Louisiana Department of Insurance  
P.O. Box 94214  
Baton Rouge, LA 70804-9214  
www.lidi.state.la.us

Louisiana Property and Casualty  
Insurance Commission  
Monthly Report  
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Insurance Fraud - Crime and Prevention

Insurance fraud is a crime that affects all of us. The average person seems to view insurance fraud as a “victimless crime” that affects only wealthy insurance companies. That is not the case. Nationwide, the associated costs of fraudulent claims could add from \$200 to \$300 to the average consumer’s yearly automobile and homeowners insurance premiums. Twenty cents of every insurance dollar paid goes to cover the cost of insurance fraud. The cost of insurance fraud in the United States is approximately **\$80 billion a year!**

The Fraud Unit of the Louisiana Department of Insurance has been in existence for 10 years with great success in investigating and assisting in the prosecution of insurance fraud. The emphasis has been placed on investigating suspected fraudulent claim reports and investigating insurance producers and companies who are suspected of engaging in fraudulent practices. The Fraud Units of the Department of Insurance, Louisiana State Police and the Attorney General’s office work closely in an effort to fight suspected fraudulent activities.

The Insurance Fraud Unit’s database contains over 4,500 entries of suspected fraudulent claims, receiving an additional 1,029 reports last year. The majority of these claims were received from insurance companies.<sup>1</sup> The most common fraudulent claims deal with exaggerated loss statements. These include:

- Claiming items that were stolen or destroyed in a home, but were never in the home.
- Claiming damage to a vehicle from an accident, that didn’t happened the way reported.
- Claiming more severe physical injuries than what actually occurred.

The latest tool in fighting and preventing insurance fraud is a new authority created by the Louisiana Legislature during the recent Regular Legislative Session. Senate Bill 731 by Senators Cain and Cravins was passed and became Act 711, effective August 15, 2004. This legislation establishes the Louisiana Automobile Theft and Insurance Fraud Authority in the Department of Insurance.

The Authority will be governed by an eleven-member board of directors, with the commissioner of insurance serving as chair. Other members include the state treasurer, a representative of the Louisiana State Police Insurance Fraud Unit, four members appointed by the commissioner, two members appointed by the attorney general, and the chair of the Senate and House Committees on Insurance or their designees.

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- ◆ The Monthly Report is the newsletter of the Louisiana Property and Casualty Insurance Commission, Louisiana Department of Insurance, 1702 N. 3rd Street, 3rd Floor, P.O. Box 94214, Baton Rouge, LA 70804-9214 225-342-7187 (PH) 225-342-6057 (FX)
- ◆ The Monthly Report may be reprinted with prior permission.
- ◆ The Louisiana Property and Casualty Insurance Commission was created by the enactment of R.S. 22:15 in the 2001Regular Session of the Louisiana Legislature to review and examine the availability and affordability of property and casualty insurance in the state of Louisiana. The commission will also undertake a comprehensive study and provide oversight and enforcement recommendations of the effectiveness of law enforcement and implementation of programs aimed at enforcement throughout the state of those laws and programs which affect property and casualty insurance rates.

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Commission Member Profile

Representative Karen R. Carter joins the Louisiana Property and Casualty Insurance Commission, representing the House Insurance Committee and serving as Chairperson of that committee. Elected to the Louisiana House of Representatives in 1999, her district encompasses the heart of New Orleans and includes the French Quarter, the Superdome, downtown, and the port along the Mississippi River. In the House of Representatives, Ms. Carter serves on the committees of: Ways and Means, House and Governmental Affairs, Municipal, Parochial and Cultural Affairs, House Executive, and Joint Legislative On Capital Outlay. During her first year as a legislator, Rep. Carter was selected by her colleagues as “Rookie of the Year”.

Rep. Carter is a 1991 graduate of Howard University School of Business where she received a degree in International Business and Marketing. Rep. Carter is a graduate of Tulane University Law School and was given the opportunity to broaden her law school experience by attending both Boston College Law School, and the University of Virginia’s Law School as a visiting student. Ms. Carter is associated with the New Orleans law firm of Carter and Cates.

Rep. Carter’s professional and civic activities include board membership with the Louisiana Trial Lawyers Association, Kingsley House, the Blood Center, the Vieux Carre Alliance, Coliseum Square Association, the YMCA and the Association of Women Attorneys. She is a former member of the New Orleans Bar Association’s Young Lawyers Board of Directors, the Louis A. Martinet Legal Society’s Executive Board, which she served as both President and Vice President and the Louisiana State Bar Association’s Committees on Public Information and Bench-Bar Liaison. She has served as a volunteer for the Free Tutoring Program, Inc., the Young Leadership Council’s Recreate New Orleans program and as an adult advisor to St. Monica’s Christian Youth Organization. She served as the Second Vice-President on the Friends of the New Orleans Public Library Board and is a member of Delta Sigma Theta Sorority, Inc., the Council for International Visitors, the American Association of Blacks in Energy, the National Conference of State Legislators and the Dryades Street YMCA Black Achievers and Industry Program.

The Louisiana Property and Casualty Insurance Commission welcomes such an entergetic and conscientious person to the membership.

Louisiana Property and Casualty Insurance Commission Members		
Commissioner Robert Wooley		Tom O’Neal
Jeff Albright		Theodore “Ted” Haik, Jr.
Col. Jim Champagne	Representative Karen Carter	Aubrey T. Temple, Jr.
Chuck McMains	Representative Michael Jackson	Nicholas Gachassin
Terry Lisotta	Earl Taylor	Richard Clements
H. “Marc” Carter	Kay Hodges	Chad Brown
Senator James David Cain		Senator John Hainkel

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A director and assistant director will be selected by the board to operate the daily routine of the Authority. A plan of operation should be in place by January of 2005. The Authority will set up programs with other state agencies and law enforcement for the prevention, detection and enforcement of insurance fraud and motor vehicle theft.

A survey conducted in 2004 by TNS Express Omnibus, on behalf of Accenture, reveals some interesting statistics about insurance fraud. According to the survey of 1,000 randomly selected American adults, 56 percent feel insurance fraud occurs because people believe they can get away with it. There was only 49 percent that felt that way in 2003. Thirty-two percent attributed the existence of insurance fraud to people thinking they pay too much for insurance, and 24 percent answered that people were trying to make up for their deductibles. Other findings from the survey were:

56% think people will be less likely to commit insurance fraud as the economy picks up.

95% think it is important for insurers to investigate suspected fraudulent claims, with 65% citing the need to control premium costs as the primary reason.

49% believe people are discouraged from committing fraud because of the higher conviction rates, punishments, and media coverage of high-profile corporate scandals.<sup>2</sup>

Announcements:

The 2004 Louisiana Property and Casualty Filing Seminar will be held on August 19th and 20th at the Department of Insurance, Poydras Building, 1702 North Third Street. For information, please contact: Nicholas Meyers at 225/219-7813 or p&c filingseminar@ldi.state.la.us

The SELA DWI Task Force meeting will be held September 10th at 10:30am at Troop B Headquarters of the Louisiana State Police, Kenner, LA.

Source 2: Best’s Insurance News, May, 2004